

**MINUTES OF THE AUDIT COMMITTEE
HELD 26TH MAY 2014, 10AM – 12PM
AT THE KING’S COURT, CHAPEL STREET, KING’S LYNN**

Present:	Hilary De Lyon (HDL)	Chair & Lay Member, Audit
	Penny Sutton (PS)	Lay Member, PPI
	Dr Tony Burgess (TB)	GP Member, Governing Body
In Attendance:	John Ingham (JI)	Chief Financial Officer
	Graham Copsey (GC)	Head of Corporate Affairs
	Rob Murray (RM)	External Audit, Ernst & Young
	Helen Devlin (HD)	External Audit, Ernst & Young
	Rachel Pilsworth (RP)	Assistant Head of Finance, Area Team, NHS England (Observing)
	Kevin Limn (KL)	Director, TIAA Internal Audit
	Melanie Alflatt	Counter Fraud Manager, TIAA
	Emma Kriehn Morris (EKM)	Finance Manager
	Sarah Boxall (SB)	(Minutes)

ACTION

1 APOLOGIES

Lisa George (Internal Audit, TIAA) Daniel Hellary

2 DECLARATIONS OF INTEREST

None to declare

3 IDENTIFICATION OF AGENDA ITEMS UNDER THE FREEDOM OF INFORMATION ACT

Item 9 - Reviewing WNCCG’s draft annual report and accounts

4 NOTIFICATION OF ANY ITEMS OF URGENT BUSINESS

There were none.

5 MINUTES OF THE PREVIOUS MEETING FOR CONFIRMATION

Page 1, agenda item 6: HDL explained she did not mean to imply that there was a lack of robust appraisals for GPs.

Page 7, agenda item 11 – The item is not exempt from The Freedom of Information Act.

The minutes of the previous meeting were agreed as accurate.

6 MATTERS ARISING (NOT COVERED ELSEWHERE ON AGENDA)

As this was Graham Copsey’s last meeting, HDL thanked him for his hard work throughout the CCG’s first year of operation, and in particular for his work on the development of the assurance framework which had been widely praised.

7 ACTION LOG

Amber Items were discussed.

Log no4: Scheme of Delegation would be discussed at the July 14 Audit Committee.

Log no6: There will be a SIRO report at July's meeting

Log no8: Expenses Policy – HDL asked when SNCCG would review the policy. GC explained he would speak to SNCCG Corporate Affairs Lead to find out when the next Remuneration Committee would take place, or whether a meeting had already taken place SNCCG Remuneration Committee would review the policy electronically. GC stated WNCCG would aim to have the policy agreed by June 2014 Governing Body.

Log no9: Closed

Log no11: Lisa George (TIAA) was aware of this through Mazars' handover.

Log no12: Policies – Would be discussed at the July 2014 meeting

Log no17: JI explained that at a previous meeting. It had been agreed that workforce reports (sickness absence, turnover etc.) should be discussed routinely at the Executive Team in future and be reported back to the Audit Committee.

Log no18: To be discussed at the July 2014 meeting

Log no20: HDL had not completed the action and would review this.

Log no24: Would be discussed at the July 2014 meeting

Log no 26: CHC provisions and the debate over what the CCG would receive etc. This would be discussed later in the agenda.

Log no27: Counter Fraud interim report would be discussed in July 2014.

Log no34: To be discussed at Item 14 of the agenda.

Log no38: It had been identified that only child protection is statutory and adult protection is mandatory. Closed.

Log no39: Would be discussed at July14s meeting

Log no40: Jean Clark would review this for the July 2014 meeting

Log no41: Closed

Log no42: Closed

Log no43: JI took this to the CCG-wide CFO meeting for discussion. A number of CCGs had already answered individually; JI would take this forward.

Log no46: Closed

Log no47: Closed

Log no49: HDL updated – There had been slow progress co-opting an additional lay member with a financial background on to the Audit Committee. There had been one applicant, who did not fit the criteria, HDL suggested that the Committee would require further help sourcing a member. JI explained Jean Clark might be able to assist the CCG when she commenced as Interim Head of Governance.

The Constitution stated there would be three lay members on the Audit Committee, but through further discussion it had been agreed a fourth member was needed who would bring financial scrutiny.

8 INTERNAL AUDIT 2013/14

Daniel Hellary (Mazars Internal Audit) was unable to attend the meeting; therefore JI updated the committee on his behalf.

Follow up report:

There was an outstanding recommendation from the former PCT regarding transformational KPIs for the contract with the Commissioning Support Unit (CSU). The relationship between the CSU and CCG had evolved throughout the first year of operation. Anglia CSU and North East London CSU had joined and were merging their operational structures and their service offering, there would be new contracts from 1 October 2014. The new contracts would bring new transformational KPIs; this would bring more interest in which would focus more on outcomes rather than on process.

Progress report:

All work had been delivered except for one day, which could not be delivered until Internal Audit had received the management reports and responses on two outstanding reports: 'Financial Reporting and Budgetary Control' and 'Continuing Health Care'.

Financial reporting and budgetary control was sent through in April 2014, which gave substantial assurance. There was one recommendation on adding staffing numbers on budgetary reports. The CCG were looking to start this in the new year.

JI would send the response as soon as possible.

Jl

Continuing Healthcare (CHC) – There had been a collaborative audit between CCGs in central Norfolk to look at processes within the CSU for reporting and forecasting on CHC costs, through the system governed by the Broad Care database.

Internal Audit had completed a draft audit before Christmas. CFOs did not feel this reflected their concerns, and therefore Mazars had completed further work on the area and as a result had given limited assurance in their report. The CFOs felt this was a better representation on controls.

Work had been completed since the audit and CFOs had a better understanding on the

information received. CFOs met with CSU leads the week commencing 19th May 2014 to discuss the recommendations and to mutually agree the actions from the report.

CSU would have actions to complete further work on system documentation and procedural work and to provide further assurance on the robustness of information from the Broad Care system, but also reconciliation between the Broad Care system and the financial ledger system. JI explained the ledger relied on the Broad Care system, so both systems should work with each other. Spot checks would be regularly completed. Norwich CCG's CFO would respond to the management report on behalf of Norfolk CCGs, once submitted, monitoring could take place.

HDL noted that the management response had been below the target. JI gave the committee his assurance that this would be improved in future.

Final report on QIPP:

An audit had been completed in January 2014 and had provided substantial assurance on QIPP. There were two recommendations. The first one related to procedural issues as the CCG could not provide evidence of final sign off of the medium term financial plans as they had been agreed as part of the overall plan. JI stated going he hoped to bring the medium/long term financial plan to the June 2014 Governing Body meeting, which linked in with the two and five year plan which had been submitted to NHS England.

The second recommendation was linked to individual QIPP schemes and the approval process. The CCG were developing Project Initiation Documents (PIDs) for 2014/15 schemes and would take into account Internal Audits recommendations. JI explained that the CCG hoped to have the PIDs signed off by clinical and managerial staff by the end of June 2014.

Final report on Governance:

Two recommendations were made. At the time of the report the Governing Body had not completed a self-assessment. This had since taken place and an initial analysis had been completed.

The Chair, Deputy Chair and Vice Chair were meeting to discuss the outcome and to review them with the recommendations.

The second recommendation entailed mapping risks to the strategic objectives. The Governing Body had identified this at a development session in December 2013, and had developed a new approach at a further development session in April 2014. Jean Clark had been tasked with implementing the recommendations from the days, which would ensure the risks were clearly mapped to the objectives.

GC explained there was a summary within the paper on agenda item 13, which demonstrated the six objectives.

Final report on IG Toolkit:

All organisations were required to reach level two of the IG Toolkit by the 31st March 2014. The CCG asked the CSU and Internal Audit to audit the toolkit. The timing of the reviews resulted in the CCG only having few days to take account of recommendations that were given. The feedback from the report was positive.

GC explained the CCG were actioning the recommendations.

HDL commented on page 12, 'The Governing Body and reference within the Continuity Plan regarding pandemic flu'.

HDL noted that within the report it documented concerns from the Audit Committee that there was a risk of a loss of staff if a pandemic took place. This was not correct and it should state there were concerns over a 'lack of governance if a pandemic took place' because of the lack of availability of GPs.

GC explained the Business Continuity Plan did need a review and GC had discussed this with Kathryn Ellis (Director of Operations and Strategic Planning).

Head of Internal Audit Opinion Annual Report:

The report was a combination of all work that Internal Audit had carried out throughout 2013/14 and had influenced External Auditors' work and the CCG's Annual Governance Statement. Internal audit awarded the CCG significant assurance.

Internal Audit relied on service providers to whom the CCG sub-contract, such as the CSU, Serco and NHS Shared Business Services.

JI stated that the recommendations within the report would be addressed in future work.

HDL questioned page seven, regarding IT storage and backups.

HDL stated this was a serious risk and the report did not set out what was being done to rectify it.

TB stated the backup tapes should be checked to ensure they work.

RP asked how remaining recommendations would be addressed going forward.

JI explained the existing Internal Audit provider would hand over recommendations to the new provider. It would be beneficial to circulate the outstanding actions to Audit Committee members so they were aware of them going forward. JI would do so.

The issues the CCG raised on the service audit report led to Internal Audit providing a qualified opinion in relation to those issues.

9 ANNUAL REPORT & FINAL ACCOUNTS

The timescale for the production of the annual accounts was tight, but the CCG were able to submit to Audit and NHS England by 23 April. The guidance was late, and had not arrived until the end of March. Guidance was still coming through at the time of the meeting. The Audit Committee noted their concern regarding the late production of guidance.

JI and EKM planned to discuss this with External Audit and other CCGs to reflect on issues. There had been changes within the document through issues the CCG had picked up on and via External Audit; this was shown in section 2 of the report.

There were issues with the template that North East London CSU developed on behalf of NHS England.

The late guidance affected the Constitution and member practices introductions, JI explained this was reflected within the annual report, but would be a feature for improvement next year. The main area of discussions and changes had been within the remuneration report.

The approval process – The CCG's Constitution reserved the right of approval of the report to

the Council of Members and did not give delegated authority to the Governing Body. The Audit Committee held in March 2014 suggested a two-tier process whereby the Council reviewed the accounts and report and delegated authority to the Governing Body, but unfortunately this was not in line with the Constitution.

Jl explained the draft would be reviewed by the Council of Members, granting Chair's action to allow the document to be signed off when complete.

The Chair of the Council was the same as the Governing Body; therefore the process would be slightly easier. The previous Council of Members meeting had not been quorate, but this was followed up via emails and Chair's action had been formally agreed.

The approval process would be addressed, which could mean changes to the CCG's Constitution to ensure appropriate sign off in future.

External Audit were still working through the draft document and finalising changes.

TB asked how can Dr Ian Mack be Chair of the Council of Members if GP Governing Body Members were not allowed to sit on the Council

Jl said this would be an area for review within the Constitution. Discussions would take place on how the Chair would be elected.

TB asked how the Chair was elected for the Council. GC explained there was a lack of Governance as the Chair of the Council of Members should be holding the Governing Body to account and this was not possible as it stood.

Jl/GC

HDL stated she would like this issue reviewed and this was agreed.

TB stated the Council of Members should carry out a self-assessment of their work.

Jl explained the member practice introduction should reflect an aspect of this, but the CCG were unable to carry this out.

Jean Clark would review the Constitution during her work with the CCG. The Audit Committee agreed this would be an important piece of work.

The CCG were reviewing engagement with members as this is an area which needed improvement.

Final submission of the annual accounts to NHS England would be the 6 June 2014.

GC explained there had been a disappointing response from the Council of Members regarding the questionnaire sent to members for incorporation into the member practice introduction. A summary was drafted by GC, taking into account the limited comments that had been sent back and discussions at meetings.

Strategic Report – Described the CCG, the background, vision and duties. It provided an overview of achievements over the last year in commissioning, financial, quality performance etc. and the challenges going forward.

There were two statutory elements to the report - Sustainability Report and Equality and Diversity Report.

The report documented the Queen Elizabeth Hospital and the West Norfolk Alliance programme. Jl explained the content was dictated by the guidance set by NHS England.

The Members Report explained who the Governing Body were, the Council of Members, the governance structures etc.

HDL stated the biographies of the Governing Body were not up to date within the document, therefore the website would not be up to date and the styles of writing differed and should be

consistent.

SB

SB would speak to Emily Arbon (Communications Manager) regarding updating biographies.

The Remuneration Report – There were still changes to be made. The report disclosed pay and benefits for all members who are were designated as Senior Managers, defined as Governing Body members and senior managers who sat on the board meeting: Head of Corporate Affairs, Head of Clinical Quality and Director of Operations.

JI explained the biggest difficulty has been the disclosure of the Chair's payment as this was being paid via payroll. There had been discussions over whether pensions would be disclosed. Dr Mack's payment had not gone through payroll in 2013/14 as there had been difficulty in the GP contracts. The CCG were having difficulty obtaining information from the pension's agency and could not report the figures, therefore it had been agreed that figures did not need to be reported and a narrative had been included in its place.

The Governance Statement documented the CCG's journey throughout the first year of existence.

JI

Clinical Executive and Executive Team meeting attendance still needed to be collated. The Audit Committee agreed that GP Members names should be included on page 123.

Page 23 – JI would need to remove 'UK Corporate Governance Code' from paragraph three. The CCG should regard the code, but did not have to comply with it.

JI

PS asked if the percentages of meeting attendance need to be shown, and suggested that numbers should also be shown.

JI

JI would add this.

The format of the annual accounts was mandated by the guidance. There was a set of consolidation schedules that had to be completed, which were sent to NHS England. JI did not believe the format was clear to the reader as the information which detailed if the CCG delivered the financial requirement was at the back and did not clearly state whether the CCG had fulfilled their statutory duty.

HDL commented the templates and guidance were not clear and the general public would find it difficult to understand the message of the annual accounts.

The CCG's balance sheet was fairly simple due to the CCG's nature as they do not have fixed assets, property, equipment or vehicles.

Page 59 – the wording needed to be amended from Council of Members to Governing Body.

JI

Page 12 – Employee benefits: HDL suggested this should figure should be rounded up rather than separate numbers. JI and EKM said this had been changed.

JI explained on page 6, point 1.6.2, critical accounting judgements, the CCG had worked from the guidance and local interpretation. JI explained 'partially completed spells' were linked to payment by results; once a patient was discharged the CCG would pay for a 'spell'. On 31 March there would be hundreds of people in hospital who would have had treatment, but the CCG had not yet accounted for because they had not finished the treatment. The figures shown on page 6 are estimates produced by the hospitals, which puts a value on the patients.

Maternity pathways – a new payment approach had been adopted in 2013/14. The whole ante-natal pathway was paid for at the beginning with the judgement that the pathway was generally seven months; therefore a pre-payment was made to split the cost.

Provision around CHC, which was not part of the legacy transfer- This was regarding patients who were awaiting assessments of their eligibility for CHC. There was a backlog in assessments, therefore if a patient was deemed as eligible in September, but not assessed fully until March the CCG would be liable to pay from September. The accounts included CHC provisions.

CHC accruals – This was a significant area of estimate in the accounts.

HDL asked about point 4.3, staff sickness: how the total days lost and the total staff years worked out, what did this mean.

EKM stated the CCG followed the guidance with regards to staff sickness and staff years were essentially whole time equivalents.

The guidance required the CCG to use data provided by The Department of Health.

GC thanked JI and EKM for the work that was put into the report, Jean Clark for the work on the Annual Governance Statement and to Emily Arbon (Communications Manager) for assisting in pulling the document together.

10 EXTERNAL AUDIT

2013/14 Audit Findings Report:

Page 3 showed the key findings, RM explained External Audit were still working on the audits and there were still an unusually high number of outstanding audits left to complete before opinions could be signed. External Audit could not have given an opinion even if the CCG had completed everything that had been asked. The deadline of the 6 June was still expected to be met and opinions were expected to be unqualified on the financial statements in relation to value for money.

Page 4 – Described the nature of External Audit's work.

Pages 5/6/7 – Demonstrated the risks that were put on the audit plan.

RM commented on capacity issues and the delivery of the financial statements. The relationship between the CCG and External Audit had been good and working papers had been adequate for audit purposes and what would have been expected in the first year of an organisation. The deadline would be met.

Opening balances – there had been uncertainty over what balances would be transferred over to the CCG, further clarity had been given and there was one remaining issue over partially completed spells. HD explained guidance had been issued by NHS England to confirm the way the issues would be treated within the accounts and was being discussed with JI.

Page 8 – progress on audit and the outstanding issues, there were currently six outstanding issues at a national level.

There were discussions taking place between auditors and NHS England regarding financial instruments in particular whether accruals should be included, there were conflicting opinions and NHS England would not be amending their templates.

Governance Statement – RM would provide JI with the wordings that needed to be revised in the statement.

RM

There were three issues nationally that would impact the CCG and meant External Audit could

not provide an opinion.

Prescribing costs – where they are classified in the notes and whether it was legal to have prescribing costs in the accounts. Prescribing costs were passed to CCGs late in the year and not necessarily in the correct way in accordance with the NHS Act, which raised questions whether the inclusion was legal. It was an issue for all CCGs in the country.

There had been a FAQ on note 20 - finance performance duty and the templates provided; this had been raised with NHS England.

CHC provisions – a new question had been raised over settlements that had been made by the CCG in relation to CHC, which were not in opening provisions, but did relate to payments made before the 1 April. The issue related to settlement and restitution.

Page 8 – Uncorrected misstatements. RM stated he did not expect any.

Page 16 – Referred to changes on disclosures on the accounts.

Page 12 demonstrated that External Audit gave a clean opinion on internal control arrangements.

Page 13 demonstrated that External Audit gave a clean opinion on Value for Money.

Page 14 – External Audit confirmed independence from the CCG and RM stated it was important to note that they do a lot of work on a health-economy basis.

Page 14 – HD stated the fee should be £66,000 and not £74,000.

Jl asked if there was an extra fee would this be down to national issues. RM said yes as NHS England cannot be billed.

HDL referred to QIPP on page 13 and the difficulties in future savings. Fortunately for 2013/14 the CCG were able to save on other aspects.

TB and Jl explained West Norfolk Alliance would be a big help for future savings.

2014/14 Audit Fee Letter:

For information

11 INTERNAL AUDIT PLAN 2014/15

KL explained how Counter Fraud and Internal Audit wrote the plan. The first stage was attending CFO meetings at the beginning of April 2014 to consider collaborative working. Following the meeting; Internal Audit met with Jl to discuss local issues and priorities for inclusion in the work plan.

The handover with the outgoing Internal Audit provider had not been completed; part of the complication was because Mazars had not received the final signed off programme plan for the year, which made it difficult to share the information.

KL explained through reading previous Audit Committee papers and discussions with Jl and HDL they understood the work that would need to be completed.

Outstanding actions would be transferred on to the new plan.

Page 4 documented the KPIs that would form part of the contract with the CCG. KL explained deadlines could be altered and further discussions could take place if required by senior management.

PS asked how the plan could be RAG rated before the work had taken place. It was based on the current position and risk assessments.

TB asked how the executive leads were allocated to each audit. Executive leads were nominated as it assisted with the engagement if Internal Audit were to come across difficulties and also for final sign off for reports.

TB asked how long it takes for executive leads to engage with Internal Audit. Internal Audit did not pressure leads within the organisation to provide immediate responses and executive leads could delegate responsibility if they felt necessary.

Executive leads needed to be changed in certain areas as they were incorrect, i.e. the Quality lead needed to be changed to the Head of Clinical Quality & Patient Safety. JI would discuss leads with KL. JI/KL

There were a number of areas that were raised and should feature or should be changed within the audit plan:

- QIPP
- West Norfolk Alliance
- Collaborative Commissioning

JI/KL

JI and KL to discuss outside the committee.

HDL raised contingency days and governance within the plan, and suggested that the time allocated might not be sufficient. JI and KL to discuss outside the committee. JI/KL

It was agreed that Internal Audit progress reports should continue in the same format as the previous provider.

12 COUNTER FRAUD PLAN 2014/15

The draft plan was produced through previous talks with JI.

Strategic Governance – standards for commissioners. The standards had not been released by NHS England and Counter Fraud did not anticipate major changes that would affect their work.

Risk assessments in relation to Counter Fraud would be discussed with JI in order to populate the fraud risk register.

JI asked how the NCC fraud investigation would be taken forward.

Counter Fraud were aware and would pick the investigation up if further actions were needed.

The Counter Fraud briefing would provide learning points from previous investigations and would be beneficial for circulation amongst WNCCG employees, members etc. via the staff

bulletin.

TB believed Counter Fraud awareness was important amongst practices as there are many issues that GPs should be aware of, i.e. CHC contracts and nursing homes etc.

Wider GP engagement on Counter Fraud was needed and the CCG should be more proactive within this area.

JI/TB

JI/TB to discuss with Caroline Howarth (Patient & Public Engagement Manager)/ Emily Arbon (Communications Manager)

MA stated Counter Fraud training could be offered to staff.

13 GOVERNING BODY ASSURANCE FRAMEWORK

WNCCG's Governing Body had attended a development day; GC had received feedback from the facilitators on the 27 May 2014 and would circulate this.

GC

Six strategic objectives had been set and would feed into the new risk management framework and strategy that would be reviewed by Jean Clark (Interim Head of Governance). Jean had a clear view on how this would change.

The new risk register would be taken to the July 2014 Audit Committee.

HDL was concerned that risks were not being sufficiently reviewed and updated. GC would feedback that all columns should be updated each month to ensure a robust risk procedure.

GC

Risks were discussed:

Ref 2.2: Gaps in control stated 'weekly' reports to Governing Body, but this should be monthly. There was not enough information on this risk and should be reviewed and updated. JI would discuss with KE.

JI

Ref 6.2: HDL asked if there was high level scrutiny of complaints. GC explained complaints were monitored through the Patient Safety Clinical Quality Committee and quarterly reports were taken to the Governing Body.

It was suggested that complaints – lessons learnt should be put on to the risk register. GC to follow up.

GC

Ref 1.10: There were concerns that NSFT unexpected deaths were still being investigated. TB explained investigations do take a long time. NSFT had completed a review, but the CCG were unhappy with the outcome, therefore the CCG had commissioned secondary investigation, which was being progressed.

14 MANDATORY AND STATUTORY TRAINING UPDATE

The paper presented did not reflect the current status of staff mandatory and statutory training within the CCG. HDL noted that the paper should reflect staff who had been working for the CCG for three months or more as new employees were allowed three months to complete the training.

Health and Safety and Fire Awareness were statutory and Information Governance was mandatory, and all three needed to be completed by WNCCG employees and Governing

Body.

A reminder would need to be sent to GP Governing Body members to ask for evidence of their safeguarding training and an email to all Governing Body members to ensure they were aware of the training modules which needed to be complete with a deadline for completion.

GC

15 ISSUES ARISING FROM THE PATIENT SAFETY & CLINICAL QUALITY COMMITTEE

TB stated that he felt assured that the quality risks were robustly monitored via the Patient Safety Clinical Quality Committee (PSCQ).

TB explained the Quality Team were under pressure due to the loss of a team member over the last few months.

TB explained the risk regarding End of Life care was a quality and reputational risk for the CCG (Amberly Hall), but had been mitigated.

The Care Home Lead within the CSU had resigned and the CSU Quality Team had not started the process to recruit, however the CCG's new Deputy Head of Clinical Quality (starting 3 June 2014) would be tasked with the safety, training and quality of care homes.

16 REVIEW OF LOSSES & SPECIAL PAYMENTS

There were none to report.

17 REVIEW OF TENDER WAIVERS

There were none to report.

18 DATE OF NEXT MEETING

30th July 2014, 10am- 1pm. Meeting room 1, WNCCG.